



Montana
Office of Public Instruction
Denise Juneau, State Superintendent

EXHIBIT	2
DATE	3/4/11
NO.	2
	# 1

IMPACTS OF CURRENT K-12 FUNDING LEVELS

March 3, 2011

House Appropriations Committee

The Joint Appropriations Subcommittee on Education failed to fund several crucial items for state support for K-12 schools. Impacts of those items are explained below.

Amendment #	Appropriation Item	What does it support?	Amount Requested (biennial)
Program 09 – Local Education Activities			
201.ajs	K-12 BASE Aid	<p>This request provides the \$29.58 million present law adjustment to increase the basic and per-ANB entitlements for K-12 schools by 1.90% in FY 12 and by 1.53% in FY 13 in accordance with 20-9-326, MCA. The request includes direct state aid of \$21.02 million and the accompanying guaranteed tax base (GTB) costs of \$8.57 million for the biennium. This is the state's largest appropriation to public schools and supports the operating budgets of K-12 school districts.</p> <p><u>Failure to fund</u> - Without this additional aid, state support will drop below the FY 2011 levels.</p>	\$29.584 Million
202.ajs	Special Education Maintenance of Effort	<p>Provides on-going funding to serve students with disabilities at a level that covers inflationary costs. Federal law requires the state to maintain fiscal effort from year to year in order to receive funds under the Individuals with Disabilities Act (IDEA), Part B for education of children with disabilities. This funding was provided in HB 645 for the 2011 biennium, so the base expenditure was zero. This request includes increased GTB costs of \$245,459 in FY 12 and \$250,571 in FY 13 associated with the state special education appropriation of \$1.284 million per year.</p> <p><u>Failure to fund</u> - Will result in a dollar for dollar loss of federal funding for education of children with disabilities.</p>	\$3.065 Million
203.ajs	Special Education Inflationary Increase	<p>This request funds an inflationary increase in the state appropriation for state special education funding for K-12 public schools based on the same inflationary adjustment included for basic and per-ANB entitlements in section 20-9-326, MCA.</p>	\$2.681 Million



Amendment #	Appropriation Item	What does it support?	Amount Requested (biennial)
		<p>The increase is \$2,681,398 for the biennium. The adjustment for inflation of special education funding is \$791,299 (1.9%) for FY 12 and \$1.441 million (1.53%) for FY 13. This proposal would increase the state special education appropriation to \$42.44 million for FY 12 and \$43.09 million in FY 13. The request includes the estimated increase of guaranteed tax base (GTB) costs associated with the state special education appropriation for \$160,791 in FY 12 and \$288,698 in FY 2013.</p> <p><u>Failure to fund</u> – Special education services are required; therefore, if the state does not fund services, the schools must use dollars that would have been used for general education.</p>	
204.ajs	Pupil Transportation	<p>This request funds the state obligation for pupil transportation required under 20-10-145, MCA. The formula-driven reimbursements to K-12 public school districts are expected to increase by \$200,000 in FY 12 and \$300,000 in FY 13 over base year FY 10. This amount is matched by county property taxes. This appropriation provides additional funding to transport students to and from school in areas of residential growth.</p> <p><u>Failure to fund</u> – A supplemental request will be needed in the 2013 Legislature.</p>	\$500,000
206.ajs	School Block Grants	<p>State statute requires an inflationary increase of 0.76% annually in the school block grants.</p> <p><u>Failure to fund</u> - Local property taxpayers will make up the difference.</p>	\$1.979 Million
207.ajs	School District Audit Filing Fees	<p>This request funds the Office of Public Instruction's payments to the Department of Administration for school district audit filing fees as required by 2-7-514(2), MCA. The projection assumes school district revenues, which are the basis for the fees, will increase 3% each year.</p> <p><u>Failure to fund</u> – OPI must make these payments, so OPI will need a supplemental appropriation request in the 2013 Session.</p>	\$28,732



Amendment #	Appropriation Item	What does it support?	Amount Requested (biennial)
208.ajs	School Lunch State Matching Requirement	<p>The National School Lunch Act requires a state revenue match. OPI requests an increase to meet the matching requirements.</p> <p><u>Failure to fund</u> - The State will lose \$66 million for the biennium and low-income students lose 10 million breakfasts and lunches.</p>	\$42,937
209.ajs	Restore In-State Residential Treatment	<p>Provides funding for education services to students in psychiatric residential treatment facilities who are not Medicaid-eligible. State law requires that OPI allocate funding to pay for education for children who are placed in psychiatric residential treatment facilities in the state. The law says the state is obligated to pay those costs.</p> <p>The subcommittee eliminated funding for this program during executive action.</p> <p><u>Failure to fund</u> - Will discontinue educational services for students placed in psychiatric facilities.</p>	\$1.575 Million
209.ajs	Restore Adult Basic Education Programs	<p>Restores the funding for the state adult basic education (ABE) program and its support for 56 adult education centers and satellite programs across the state.</p> <p>State adult basic education funding supports instruction in reading, writing, mathematics, science, social studies and English as a Second Language and other skills required for attaining employment, or entering post secondary education. The program serves approximately 1,500 individuals between 16-18 years of age, 4,500 adults, and 200 adults in the Montana State Prison system.</p> <p>These programs are essential for adults who, for various reasons, need help to gain necessary basic skills so they can get a job, whether that means getting a GED, the skills they need to get into college, or job retraining. ABE programs provide valuable resources to communities.</p> <p>The subcommittee eliminated funding for this program during executive action.</p>	\$1.050 Million



Amendment #	Appropriation Item	What does it support?	Amount Requested (biennial)
		<u>Failure to fund</u> –Will result in a reduction to the maintenance of effort required to receive continued federal funding for this program and would place this requirement at the local level. Once the level of required maintenance of effort is breached, Montana loses one federal dollar for each state dollar.	
209.ajs	Restore Secondary Vocational Education Programs	<p>Restores the state funding for Secondary Vocational Education programs for public high schools. The subcommittee eliminated funding for this program during executive action.</p> <p>Provides funding for career and technical education programs in Montana high schools. These are the necessary funds for meeting the maintenance of effort requirement for the federal Carl Perkins grant money that enables high schools to offer valuable career and technical courses that prepare students for college and career after high school. Every high school student in Montana takes at least one technical course.</p> <p><u>Failure to fund</u> – Will result in loss of valuable programs such as business education, agricultural education, and other career and technical courses. Loss of vocational education money will lead to the loss of the entire allocation of federal Carl Perkins funding of \$2.7 million per year.</p>	\$2 Million
209.ajs	Restore Gifted & Talented (G&T) Programs	<p>Provides state grants to local school districts to supplement their educational offerings for gifted students. This small allocation is the only state support for gifted education programs. These students are at risk for dropping out unless they are able to engage in academic activities that challenge their capabilities and keep them connected to school. Our state can't afford to have our brightest students drop out.</p> <p>The subcommittee eliminated funding for this program during executive action.</p> <p><u>Failure to fund</u> –Schools will have to use regular funds to support the programs because schools are required by law to provide a gifted and talented program. Fewer students will have access to G&T programs and fewer activities will be offered.</p>	\$500,000



Amendment #	Appropriation Item	What does it support?	Amount Requested (biennial)
212.ajs	At-Risk Student Payment	<p>Provides funding for schools to serve students who are at risk of not graduating or not reaching grade level expectations. The At-Risk Student Payment was created by the Legislature to achieve adequacy of funding for the state's K-12 public schools and upheld by the district court.</p> <p>The 2009 Legislature expressed its intention to restore funding for the At-Risk Student Payment through a decision package that is documented in the LFD Fiscal Report for the 2011 biennium (Page E-30). The Decision Package states: "DP 917 – At-Risk Payment Reduction – This decision package reduces the at-risk payment in the base by \$4,999,999 in each year of the 2011 biennium. This will reduce district general fund maximum and base budgets by a like amount. It is the intent of the legislature that the executive include the at-risk payment at \$5 million per year in its 2013 biennium submission."</p> <p><u>Failure to fund</u> – Schools will have fewer resources to provide services to help the most socio-economically disadvantaged students in the state, which will lessen schools' ability to improve academic achievement.</p>	\$10 Million
214.ajs	In-state Treatment Language	This request provides language in HB0002 for the OPI to distribute funds from the appropriation for In-state Treatment to public school districts for the purpose of providing for educational costs of children with significant behavioral or physical needs.	Not Applicable
Program 06 – State Level Activities			
203.abs	Audiological Services	<p>Provides an increase of 3% annually to maintain audiological services through Hearing Conservation Program contracts.</p> <p>The federal Individuals with Disabilities Education Act (IDEA) requires public schools to have an effective child-find system in place for children through age 21 who are suspected of having disabilities. The Hearing Conservation Program is the primary method for schools to identify students with hearing impairments. It's critical for schools to find hearing deficits in time so students avoid falling behind in their education.</p>	\$66,191



Amendment #	Appropriation Item	What does it support?	Amount Requested (biennial)
		<u>Failure to fund</u> - The state will not be able to provide screening services to all schools in the current cost-efficient manner. Additionally, it will be at least twice as expensive for districts to carry out the federal requirement for child-find. Schools will have to help pay for the services at greater expense, which passes this cost to local districts and lowers funds available for regular education programs.	
204.abs	National Board Certification Teacher Stipends	<p>One-time \$3,000 stipends are paid to Montana teachers who achieve certification from the National Board for Professional Teaching Standards.</p> <p>To date, 92 Montana teachers have achieved national certification; in this past year 7 teachers became nationally certified. The out-of-pocket costs for a teacher to become national board certified exceed \$3,000/teacher.</p> <p><u>Failure to fund</u> – The state will not recognize teachers for the worthy accomplishment. We won't be able to offer this incentive for our best and brightest teachers in the state who pursue teaching excellence.</p>	\$27,000
205.abs	Montana Digital Academy (MTDA)	<p>This proposal transfers the academy from the Montana University System. The Montana Digital Academy (formerly the Virtual Academy) is a very popular program that provides a variety of courses for students across Montana through the public school districts. The MTDA program is designed to help students meet college admissions requirements, make up missed or failed classes, resolve scheduling conflicts, and take advanced coursework.</p> <p><u>Failure to fund</u> - Will de-fund the entire program. This program is currently successful and is growing, serving approximately 2,700 students this school year.</p>	\$2.336 Million



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Amendment #	Appropriation Item	What does it support?	Amount Requested (biennial)
213.abs	Restore 5% Reduction for Biennium	<p>Restores \$333,364 general fund in each year of the 2013 biennium. This restores the 5% reduction taken from state level activities in the Office of Public Instruction.</p> <p><u>Failure to fund</u> – State general fund dollars support OPI services for accrediting schools, licensing educators, distributing state aid to schools, collecting and reporting data and information, managing statewide student assessments, and providing policy leadership and technical assistance to schools, parents, students and the public. The 5% cuts will reduce the ability of the agency to provide these services to schools and the public.</p>	\$666,728

OPI - 2013 BIENNIUM DECISION PACKAGES	GENERAL FUND		
	FY2012	FY2013	TOTAL

PROGRAM 09 - LOCAL EDUCATION ACTIVITIES

FY 2010 PROGRAM 09 BASE BUDGET			551,087,188	551,087,188	1,102,174,376
Statewide Present Law Adjustments			14,613,304	14,613,307	29,226,611
NP95102	Remove Categoricals from Base	new	(2,535,740)	(2,535,740)	(5,071,480)
NP95103	School Facility Reimbursement Fund Switch	E-37?	(8,586,000)	(8,586,000)	(17,172,000)
PL901	K-12BASE Aid - Adjust to FY 2011 Funding Level	E-31	17,529,096	16,999,780	34,528,876
PL914	Guarantee Account	E-35	88,410,194	87,411,422	175,821,616
AFTER SUBCOMMITTEE EXECUTIVE ACTION			660,518,042	658,989,957	1,319,507,999
201.ajs	K-12 BASE Aid Statutory Inflation Increase	E-34	10,499,556	19,084,786	29,584,342
202.ajs	Special Education Maintenance of Effort	E-34	1,529,906	1,535,018	3,064,924
203.ajs	Special Education Inflationary Increase	E-38	952,090	1,729,308	2,681,398
204.ajs	Pupil Transportation	E-35	200,000	300,000	500,000
205.ajs	Restore At-Risk Payment (see 212.ajs)	E-33	-	-	-
206.ajs	School Block Grants	E-35	789,698	1,189,054	1,978,752
207.ajs	School District Audit Filing Fees	E-35	11,550	17,182	28,732
208.ajs	School Lunch State Matching Requirement	E-35	15,206	27,731	42,937
209.ajs	Restore Funding for In-State Treatment	new	787,000	787,800	1,574,800
209.ajs	Restore Funding for Secondary VoEd	new	1,000,000	1,000,000	2,000,000
209.ajs	Restore Funding for Adult Basic Education	new	525,000	525,000	1,050,000
209.ajs	Restore Funding for Gifted & Talented	new	250,000	250,000	500,000
210.ajs	Not used				
211.ajs	Restore Funding for Adult Basic Education-Hiner		same as 209.ajs for ABE		
212.ajs	Restore At-Risk Student Payment (was 205.ajs)	E-33	5,000,000	5,000,000	10,000,000
213.ajs	??? Ties to L Jones bill				
214.ajs	Language amendment for In-State Treatment		-	-	-
TOTAL PROGRAM 09 PROPOSED BUDGET			682,078,048	690,435,836	1,372,513,884

PROGRAM 06 - STATE LEVEL ACTIVITIES

FY 2010 PROGRAM 06 BASE BUDGET			8,966,070	8,966,070	17,932,140
Statewide Present Law Adjustments			220,526	225,778	446,304
NP650	Natl Student Clearinghouse	E-21	7,600	7,600	15,200
NP95101	5% Plan - State Level Activities	E-16	(333,488)	(333,364)	(666,852)
PL55140	5% General Fund Reduction	E-19	(114,878)	(114,878)	(229,756)
AFTER SUBCOMMITTEE EXECUTIVE ACTION			8,745,830	8,751,206	17,497,036
201.abs	???				
202.abs	ACT Plus Writing - OPI withdrew		-	-	-
203.abs	Audiological Services	E-19	26,239	39,952	66,191
204.abs	National Board Certified Teacher Stipends	E-19	9,000	18,000	27,000
205.abs	Montana Digital Academy	E-20	1,168,000	1,168,000	2,336,000
?	Reinstate a Portion of 5% GF Reduction Plan	new	142,500	142,500	285,000
TOTAL PROGRAM 06 PROPOSED BUDGET			10,091,569	10,119,658	20,211,227

TOTAL PROGRAM 06 AND PROGRAM 09

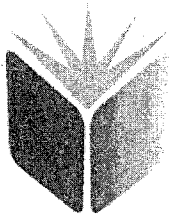
AFTER SUBCOMMITTEE EXECUTIVE ACTION			669,263,872	667,741,163	1,337,005,035
TOTAL PROPOSED BUDGET			692,169,617	700,555,494	1,392,725,111

Office of Public Instruction K-12 Funding Requests

Supporting the Definition of a Basic System of Free Quality Public Elementary and Secondary Schools

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Components of a Basic System	Budget Request	HB2 (Subcommittee Action)		Amount Requested		Biennial Difference
		FY 2012	FY 2013	FY 2012	FY 2013	
Meeting the Accreditation Standards - includes Indian Education for All, Quality Educator Payment, and Closing the American Indian Achievement Gap	K-12 BASE Aid - Replace ARRA funding	554,532,217	553,004,129	554,532,217	553,004,129	-
	K-12 BASE Aid - Inflationary Adjustment	-	-	10,499,556	19,084,786	29,584,342
	Secondary Vocational Education	-	-	1,000,000	1,000,000	2,000,000
	School District Audits	-	-	11,550	17,182	28,732
	Special Education Maintenance of Effort	40,362,884	40,362,884	41,647,331	41,647,331	2,568,894
	Special Education Inflationary Increase	-	-	952,090	1,729,308	2,681,398
Educational Programs for Students with Special Needs - includes students with disabilities, at-risk students, students with limited English proficiency, students qualified for ADA, and gifted and talented children	In-state Psychiatric Residential Treatment	-	-	787,000	787,000	1,574,000
	Audiology - Hearing Conservation	8,738,230	8,743,606	8,764,469	8,783,558	66,191
	At-Risk Student Payment	-	-	5,000,000	5,000,000	10,000,000
	School Food Programs	648,655	648,655	663,861	676,386	42,937
	Gifted and Talented Grants	-	-	250,000	250,000	500,000
	Stipends for National Board Certified Teachers	12,000	12,000	21,000	30,000	27,000
Facilities and Distance Learning Technologies	MT Digital Academy	-	-	1,168,000	1,168,000	2,336,000
	School Facility Reimbursements	8,586,000	8,586,000	8,586,000	8,586,000	-
Transportation of Students	Pupil Transportation	12,421,927	12,421,927	12,621,927	12,721,927	500,000
Assess and Track Student Achievement	National Student Clearinghouse	7,600	7,600	7,600	7,600	-
Preservation of Local Control	School Block Grants	51,757,156	51,757,156	52,546,854	52,946,210	1,978,752
	State Tuition Payments	639,308	639,308	639,308	639,308	-
Total						53,888,246



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Definition of a Basic System of Free Quality Public Elementary and Secondary Schools

Montana Code Annotated

20-9-309. Basic system of free quality public elementary and secondary schools defined -- identifying educationally relevant factors -- establishment of funding formula and budgetary structure -- legislative review. (1) Pursuant to Article X, section 1, of the Montana constitution, the legislature is required to provide a basic system of free quality public elementary and secondary schools throughout the state of Montana that will guarantee equality of educational opportunity to all.

(2) As used in this section, a "basic system of free quality public elementary and secondary schools" means:

(a) the educational program specified by the accreditation standards provided for in 20-7-111, which represent the minimum standards upon which a basic system of free quality public elementary and secondary schools is built;

(b) educational programs to provide for students with special needs, such as:

(i) a child with a disability, as defined in 20-7-401;

(ii) an at-risk student;

(iii) a student with limited English proficiency;

(iv) a child who is qualified for services under 29 U.S.C. 794; and

(v) gifted and talented children, as defined in 20-7-901;

(c) educational programs to implement the provisions of Article X, section 1(2), of the Montana constitution and Title 20, chapter 1, part 5, through development of curricula designed to integrate the distinct and unique cultural heritage of American Indians into the curricula, with particular emphasis on Montana Indians;

(d) qualified and effective teachers or administrators and qualified staff to implement the programs in subsections (2)(a) through (2)(c);

(e) facilities and distance learning technologies associated with meeting the accreditation standards;

(f) transportation of students pursuant to Title 20, chapter 10;

(g) a procedure to assess and track student achievement in the programs established pursuant to subsections (2)(a) through (2)(c); and

(h) preservation of local control of schools in each district vested in a board of trustees pursuant to Article X, section 8, of the Montana constitution.

(3) In developing a mechanism to fund the basic system of free quality public elementary and secondary schools and in making adjustments to the funding formula, the legislature shall, at a minimum, consider the following educationally relevant factors:

(a) the number of students in a district;

(b) the needs of isolated schools with low population density;

(c) the needs of urban schools with high population density;

(d) the needs of students with special needs, such as a child with a disability, an at-risk student, a student with limited English proficiency, a child who is qualified for services under 29 U.S.C. 794, and gifted and talented children;

- (e) the needs of American Indian students; and
 - (f) the ability of school districts to attract and retain qualified educators and other personnel.
- (4) By July 1, 2007, the legislature shall:
- (a) determine the costs of providing the basic system of free quality public elementary and secondary schools;
 - (b) establish a funding formula that:
 - (i) is based on the definition of a basic system of free quality public elementary and secondary schools and reflects the costs associated with providing that system as determined in subsection (4)(a);
 - (ii) allows the legislature to adjust the funding formula based on the educationally relevant factors identified in this section;
 - (iii) is self-executing and includes a mechanism for annual inflationary adjustments;
 - (iv) is based on state laws;
 - (v) is based on federal education laws consistent with Montana's constitution and laws; and
 - (vi) distributes to school districts in an equitable manner the state's share of the costs of the basic system of free quality public elementary and secondary schools; and
 - (c) consolidate the budgetary fund structure to create the number and types of funds necessary to provide school districts with the greatest budgetary flexibility while ensuring accountability and efficiency.
- (5) At least every 10 years following April 7, 2005, the legislature shall:
- (a) authorize a study to reassess the educational needs and costs related to the basic system of free quality public elementary and secondary schools; and
 - (b) if necessary, incorporate the results of those assessments into the state's funding formula.

History: En. Sec. 2, Ch. 208, L. 2005.

MTDA 2010-11 Enrollment Data

	Fall	Spring	Total
Individual students enrolled(unduplicated)			2751
Course enrollments:	1951	2109	4060
MTDA Montana licensed teachers:	67	76	71
Montana schools being served:	137	165	165

(Note: By definition **individual students enrolled (unduplicated)** means the number of unique student enrollments in each semester of the program. **Semester course enrollments** represent the total number of enrollments in all MTDA courses.

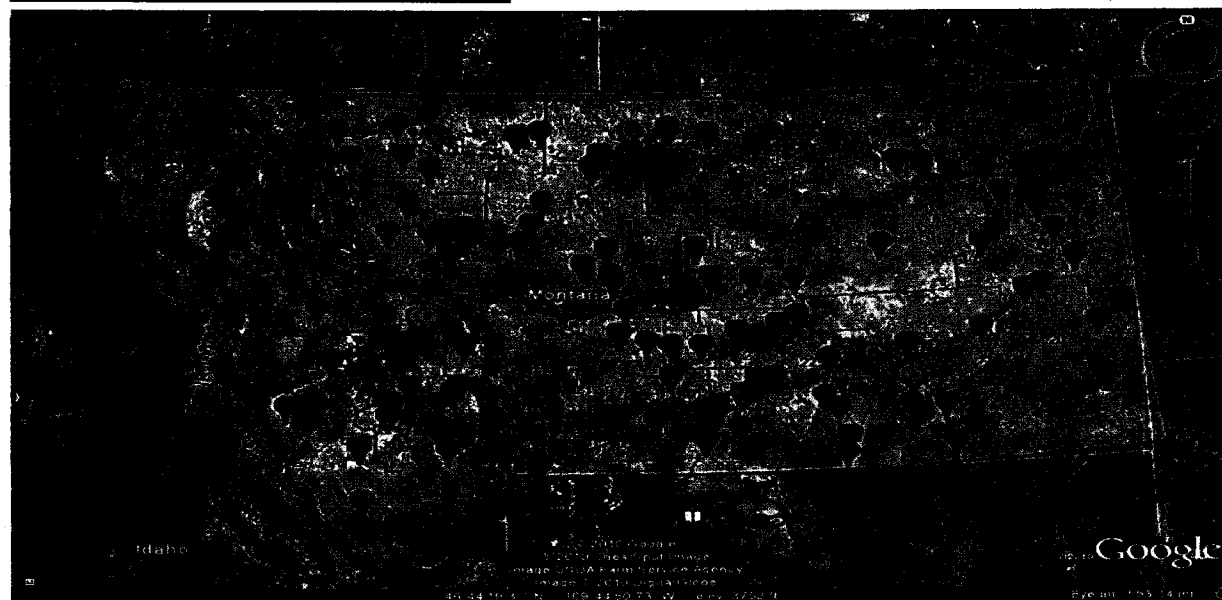
MTDA Teachers are from the following 29 school districts

Arlee, Baker Box Elder, Billings, Bozeman, Cascade, Colstrip, Columbia Falls, Columbus, East Helena, Eureka, Fairfield, Great Falls, Hamilton, Hardin, Havre, Helena, Hot Springs, Huntley, Kalispell, Missoula, Ophir, Phillipsburg, Roundup, Shelby, Sidney, Thompson Falls, Victor and Whitewater. Note: Several districts have more than one teacher working for MTDA

Examples of Schools enrolling students in MTDA

Class AA: Billings, Bozeman, Butte, Great Falls, Helena, Missoula
Class A: Anaconda, Belgrade, Columbia Falls, Havre, Libby, Stevensville
Class B: Colstrip, Florence-Carlton, Lincoln County, Lodge Grass, Poplar, Wolf Point
Class C: Box Elder, Chinook, Simms, Twin Bridges, Terry, West Yellowstone

Location of MTDA Teachers and Students MTDA Teachers – Red MTDA Students - Purple



Access for Students - MTDA provides expanded choices to students who want to take unique courses which may not be offered in some Montana high schools, such as algebra 2, pre-calculus, chemistry, physics, environmental science and oceanography as well AP courses in each of the core subject areas. Students enrolled in MTDA courses can recover credits to get back on track to graduate, eliminate a scheduling conflict, take a summer school course from home or a remote location and learn at a pace that is right for them.

Equity for Schools - MTDA assists schools in meeting unique curriculum and staffing challenges by offering upper level courses in mathematics, science, social studies and English language arts. The Academy is already being recognized by school leaders as a critical piece in helping rural and small schools expand their curriculum and to meet some Chapter 55 Accreditation Standards by offering a world language program (Spanish, French, German, Latin and Chinese) and Career and Technical courses such as Microsoft Office Suite and web design.

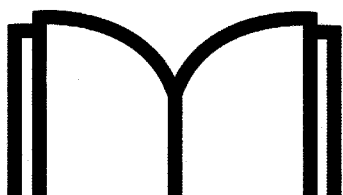
Unique Educational Partnership - The MTDA - University of Montana partnership is unique among the 30 plus statewide virtual school initiatives. MTDA is the only statewide online K-12 school initiative partnered with a major institution of higher education. This partnership will enable UM and MTDA to share technology expertise and intellectual resources and will serve to create professional development opportunities and advance teacher understanding of the value and power of online learning for students.

Promoting 21st Century Learning - MTDA has the ability to advance online learning and the digital literacy of students across the state of Montana. The Academy provides a working model for promoting the connection between Montana's K-12 schools and higher educational institutions. By offering challenging courses to help prepare high school students for college, as well as online dual enrollment/ dual credit opportunities, MTDA will support this important bridge to higher education for many Montana students, especially those located in remote parts of the state.

Leadership in Online Learning - Although one of the newest statewide virtual schools in the United States, MTDA is already positioned as a leader due to its membership in the State Virtual School Leadership Alliance, an organization comprised of 9 state virtual schools from across the U.S. The Alliance collectively promotes the unique value of state virtual schools and seeks ways to maximize resources by working cooperatively on such key areas as course sharing, course development and teacher professional development and training.

For a complete listing of courses offered by MTDA or for other information go to:

www.montanadigitalacademy.org



MONTANA DIGITAL ACADEMY